WOW Food

Case Skills Focus: New Location, Profit Drivers, Investor Relations, Handout Review

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(S) Start with Specifics

Say bold sections to the candidate:

- **"WOW Food is a mobile lunch counter, with one truck in Philadelphia. Many US cities have a variety of food trucks offering Asian, American, Mexican, fruit and other delicious themes. The food is prepared fresh, stored in the truck and then sold out a window at the side of the truck."**

- Ask, **"Are you familiar with these kinds of trucks?"** Let the candidate talk some about what he knows and explain the concept more if necessary.

- **"WOW's offering is health food and their name is short for Wellness on Wheels. WOW Food includes: falafel, eggplant, gluten free side dishes, vegetarian sandwiches, fresh produce and juices. They brag that they don't own a freezer! They are ready to take their success to several new cities, including Boston, New York, Chicago and Los Angeles."**

- Say, **"The investor team needs your help. They want to anticipate any profit and build-out challenges with opening new locations. Please explain what they should consider to make each location as profitable as possible. The Philly truck has been in business for 3 years."**

- Plan to review the candidate's plan in the next section (Manage the Structure) and later give a handout showing 6-month financials for a test city, Boston.
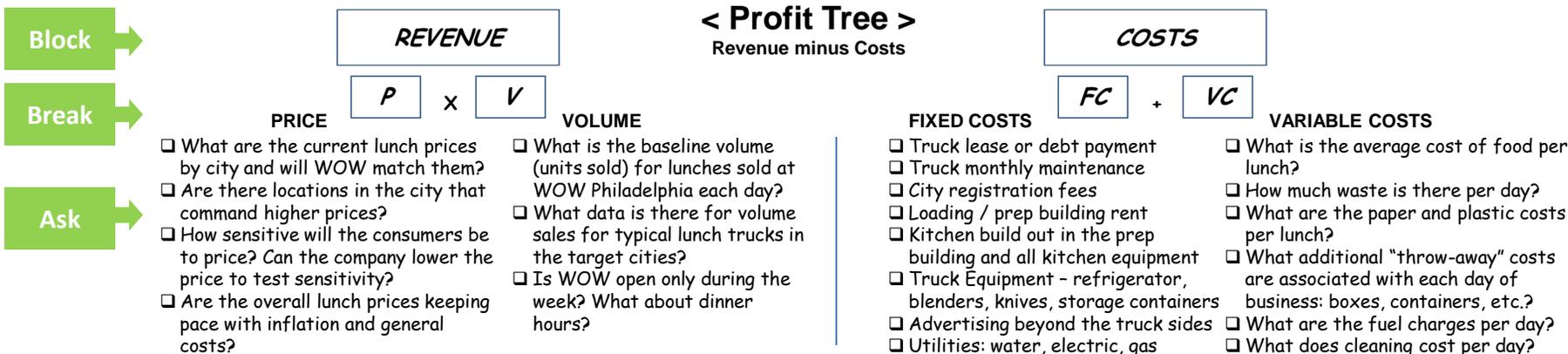
Be ready if asked:
- **Competitors** – there are several in every city.
- **Pricing** – WOW is competitive. The average lunch without drink is $6.50.
- **Awareness** – WOW will be a new brand in all of their target cities.
- **Seasonality / Hours** – Many of the trucks stay open year round. Philadelphia tends to have a mild winter. WOW is open from 11am-2pm each day.
- **Local Produce** – WOW currently works with farms in the Philadelphia region to ensure fresh produce and ingredients.
- **Organic Certified** – WOW strives for organic food but is not limited to it.

(M) Manage the Structure

Manage the discussion around a structure

- This case requires a broad structure focused on several aspects of opening a new location. Your goal is to a) test the candidate's ability to explain his plan, b) look for overlapping thoughts, and c) check that he is searching for relevant data. Business judgment and common sense are key here.

- Remember that the candidate typically "asks for a minute" to collect his thoughts and structure a plan. He should present his approach. Coach the candidate to use a method that creates a structure. <u>Creating a structure and presenting it to the interviewer is the most important part of any case interview</u>.

- Test the breadth of thinking. **"What else would you like to include in your structure?"** (e.g. ask this if there is an obvious gap in the candidate's thinking). Help by providing hints where necessary.

< Profit Tree >
Revenue minus Costs

Block → REVENUE = P x V
Break
Ask

COSTS = FC + VC

PRICE
- ❏ What are the current lunch prices by city and will WOW match them?
- ❏ Are there locations in the city that command higher prices?
- ❏ How sensitive will the consumers be to price? Can the company lower the price to test sensitivity?
- ❏ Are the overall lunch prices keeping pace with inflation and general costs?

VOLUME
- ❏ What is the baseline volume (units sold) for lunches sold at WOW Philadelphia each day?
- ❏ What data is there for volume sales for typical lunch trucks in the target cities?
- ❏ Is WOW open only during the week? What about dinner hours?

FIXED COSTS
- ❏ Truck lease or debt payment
- ❏ Truck monthly maintenance
- ❏ City registration fees
- ❏ Loading / prep building rent
- ❏ Kitchen build out in the prep building and all kitchen equipment
- ❏ Truck Equipment – refrigerator, blenders, knives, storage containers
- ❏ Advertising beyond the truck sides
- ❏ Utilities: water, electric, gas

VARIABLE COSTS
- ❏ What is the average cost of food per lunch?
- ❏ How much waste is there per day?
- ❏ What are the paper and plastic costs per lunch?
- ❏ What additional "throw-away" costs are associated with each day of business: boxes, containers, etc.?
- ❏ What are the fuel charges per day?
- ❏ What does cleaning cost per day?

A Ask for Numbers

Ask about data and numbers. You must test a specific analytical skill. Transition to the "Data Pool."

1. **"That was a thorough structure. Now, I'd like to show you some numbers from the Boston pilot location. They have been open for 6 months and they have some data for you to review."**

2. **"As you look at this handout, what stands out to you? Please walk me through your insights."**

3. Give the handout. The best candidates will talk through the data as they review it. (At the end of the case, suggest he stay connected with the interviewer without too many moments of silence throughout the case.)

Good handout discussions will center on the profit tree:

❑ **Revenue:** Monthly Boston revenue is down $9k. Annualized that's about 12 x $9k = $108k. Or look at totals, Philly = $32k x 12 = $385 vs. $23k x 12 = $276k. $385 - $276 = ~$108k.

❑ **Profit:** Big differences in profit margins (Philly 80% vs. Boston 65%) make for a very large gap. Profit is about $10k less per month in Boston. Annualized that's 12 x $11k = $132k. Looking at totals, Philly = $385k x 80% = $308k vs. $276k x 65% = $179k). Profit is $128k less in Boston, or Philly is about 70% ($308k/$179k) more profitable.

❑ **Pricing:** Boston prices and the average ticket total seem to be somewhat higher which is good.

❑ **Volume:** This is the biggest driver behind the lower revenue since there are about 1,350 fewer orders in Boston (1,350 / 20 working days per month = ~65 orders per day.) The new brand, truck location or customer tastes may account for volume being lower.

❑ **Variable Costs:** The profit margin reflects the variable cost level. Most likely the Philly location has worked with vendors to get input costs lower, or Boston is a more expensive place to do business.

❑ **Fixed Costs:** Costs for the truck and location are about the same.

R Request a Recommendation

Push the candidate for a recommendation

- The candidate has "pre-thought" with his initial structure through the potential challenges that a new location may encounter. He also has data that shows there are specific issues in Boston.

- Say, **"Now that you have thought through this situation and have reviewed some data, what would you recommend Boston do about profit? The Boston team has been surprised at how long it has taken to build traction with the WOW brand."**

- Expect to hear clear logic in the final recommendation and integration of all that was discussed. The topics below should be covered to some degree, but the final discussion may vary quite a bit.

❑ **Overall:** "Boston needs to perform at the level of Philly."
❑ **Pricing:** "Price does not seem to be the problem. The average price in Boston is greater than Philly ($7.94 vs. $7.55). Boston could try to raise prices more, but they may not be competitive. A $1 price increase x 2900 customers would close about 1/3 of the profit problem, but there is a risk of turning customers away."
❑ **Volume:** "Just increasing monthly volume by 500 people (25 per working day) would boost sales $7 x 500 x 12 = $42k. Advertisements, word of mouth and offering deals may help."
❑ **Variable Costs:** "Raising the profit margin would help but may be more difficult. Boston should check to see they are following WOW standards and not wasting food. They may need to shop more affordable suppliers."
❑ **Weather:** "2 months of the data was during the fall which may have been impacted by cold weather. Boston is colder than Philly."
❑ **Creative Ideas:** "Could they move the truck to different locations in the city? I know one food truck tweets their new location each day to create excitement and target new customers."

T Track & Practice

- Help the candidate track strong and weak areas. Reading through data is a critical skill for many cases. Recommend that he find other data handouts and practice reading the main insights out loud. The candidate should also practice quick calculations to boost speed.